

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
SP-02 EPG-02 OMB-01 NSC-05 SS-15 STR-04 CEA-01
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5512
INFO AMEMBASSY PARIS

C O N F I D E N T I A L LONDON 10520

E.O.11652: GDS
TAGS: ETRD, EFIN, UK, UR
SUBJECT: LINE OF CREDIT TO USSR

REF: (A) STATE 146860; (B) LONDON 4764

1. AS EMBASSY REPORTED IN FEBRUARY, 1976 (LONDON 1655),
THERE ARE TWO INTEREST RATES APPLICABLE TO FINANCING THE
950 MILLION POUND UK TRADE AGREEMENT WITH THE USSR: 7.0
FOR VERY LARGE CONTRACTS AND 7.35 FOR ALL OTHERS. THESE
RATES PRE-DATE THE CONSENSUS GUIDELINES BUT ARE SCHEDULED
TO BE RENEGOTIATED WITH THE SOVIET UNION AT THE MID-
POINT OF THE AGREEMENT AND TALKS ARE SET FOR JULY/AUGUST
OF THIS YEAR.

2. IT IS OUR UNDERSTANDING FROM GOVERNMENT OFFICIALS
HERE THAT RATES WILL BE SHIFTED UP -- HOW FAR THEY WILL
MOVE TOWARD THE CONSENSUS GUIDELINES IS UNCERTAIN. THE
UK HAS RECENTLY EXCHANGED LETTERS ON THIS ISSUE WITH BOTH
FRANCE AND ITALY IN AN ATTEMPT TO DEVELOP COMMON RATES
THAT WILL BE AS CLOSE TO THE CONSENSUS GUIDELINES AS
POSSIBLE. BRITISH OFFICIALS CONTINUE TO WATCH THE FRENCH
PARTICULARLY CLOSELY AND WOULD FIND IT DIFFICULT NOT TO
MATCH, AS THEY DID IN THE 950 MILLION POUND DEAL, THE
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FRENCH RATES. WHILE THE BRITISH OFFICIALS DO NOT YET
HAVE PRECISE FIGURES ON THE LATEST FRENCH-USSR ARRANGE-
MENTS, THESE RATES WILL ACT AS A CONSTRAINT ON BRITISH
INCREASES SINCE THE UK IS IN GENERAL AGREEMENT WITH
U.S. VIEWS ON THE CONSENSUS GUIDELINES.

3. AS REQUESTED REFTEL (A), WE HAVE AGAIN STRESSED TO

THE BRITISH GOVERNMENT OUR CONCERN WITH INTEREST RATE
LEVELS IN THIS MARKET AND THE NEED TO BEAR IN MIND EACH
COUNTRY'S IMPACT ON THE OTHERS WHEN NEGOTIATING WITH THE
USSR. UK OFFICIALS HAVE INDICATED CONSENSUS GUIDELINES
AND U.S. VIEWS WILL BE KEPT FULLY IN MIND DURING UPCOMING
RENEGOTIATIONS OF RATES WITH USSR.

BREWSTER

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Message Attributes

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Sent Date: 24-Jun-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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